

CITY OF FLAGSTAFF PRIVILEGE (SALES) TAX

HOTEL/MOTEL

This publication answers the most common questions about the sales tax on hotels/motels.

The city's transaction privilege tax is commonly referred to as a sales tax, however, the tax is not a true sales tax, rather it is imposed on the person engaged in business. For complete details, refer to the Flagstaff City Code. **In case of inconsistency or omission in this publication, the language of the city code will prevail.**

WHO PAYS HOTEL/MOTEL PRIVILEGE TAX?

You owe tax on hotels/motels if you provide lodging facilities to a "transient." Transient is defined as any person who, for any period of not more than twenty-nine (29) consecutive days obtains lodging primarily to non-permanent residents.

Lodging provided for more than twenty-nine (29) days would be considered to be rental of real property to someone who resides therein, and therefore, is not subject to city tax.

Examples of taxable activities include:

- . hotels
- . rooming houses
- . motels
- . apartment houses
- . bed & breakfasts
- . inns
- . public & private clubs
- . mobile homes
- . resorts
- . campgrounds
- . spaces, slabs or lots for trailers or mobile homes

The following facilities are not subject to the tax:

- . convalescent homes
- . jails
- . hospitals
- . military installations
- . homes for the aged
- . fraternity/sorority houses
- . non-profit organizations operated for religious, charitable or educational purposes
- . dormitories operated by Northern AZ University

TAX RATE ON HOTELS/MOTELS EFFECTIVE JULY 1, 2003

City of Flagstaff	1.601%
City of Flagstaff Hotel Tax	2.000 %
State of Arizona	5.500 %
Coconino County	1.017%
Total Tax on Hotels/Motels	10.118%

PROCEDURE FOR PRIVILEGE TAX PAYMENT

First, apply for a Privilege (Sales) Tax license from the City of Flagstaff licensing department; or call (928) 779-7685 ext 7614. Then, report and pay tax to the city with the tax return provided by the licensing department. Taxpayers pay tax monthly, quarterly or annually depending upon the annual city tax liability.

Income from hotel/motel activities is reported under a business code that is assigned to your business and will appear on the city tax return that is sent to your offices.

FACTORING AND COLLECTING CITY TAX

Whether you charge the tax separately or factor the tax into the sales price, sales tax should be included in the gross income reported on the tax return. Deduction #11 then may be taken on the return for the city, county, and state taxes included in the gross income figure.

1. Factoring the Tax

You are allowed to include tax in the amount charged, rather than show the tax separately.

If you choose to do so, use factoring to "back into" the tax included in your gross sales. To factor the tax divide the gross income by 1 plus the combined tax rates. For hotel/motel the total tax rate is 10.118%, thus the gross income is divided by 1.10118. The result will be taxable income excluding tax. The difference between gross income and taxable income is tax collected.

Gross Income	Divided by 1.10118	=	Taxable Income
(Including Tax)	(1 plus the Tax Rate)		(Excluding Tax)

For example, if your gross income from hotel/motel activity totals \$100, tax included, and the tax is 10.118%, your tax calculation is:

Gross Income, including tax, of \$100 divided by 1.10118 = Taxable Income of \$90.81
\$100 - \$90.81 = \$9.19 Tax collected

2. Collecting the Tax

If you choose to separately bill and collect the tax, you must remit the total amount collected even if it exceeds the calculated tax liability. The excess tax collected must be remitted proportionately to the city, county and state as excess collections.

SPECIAL SITUATIONS

1. Additions to Rent

Extra charges that are added to or included in rent such as maid service, local telephone calls, utilities, cable television, or any other services are considered part of the gross income and therefore taxable. Room key deposits, however are not considered part of the gross income unless they are not refunded.

FOR INFORMATION CALL:

(928) 779-7685 ext 7614

(928) 779-7656 fax line

OR WRITE:

City of Flagstaff

Tax, Licensing & Revenue Division

211 W Aspen

Flagstaff, AZ 86001